

Message Text

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ACTION EA-14

INFO OCT-01 ADP-00 H-02 SS-15 AID-20 NSC-10 RSR-01 RSC-01

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FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC PRIORITY 7053

C O N F I D E N T I A L JAKARTA 6176

E. O. 11652: GDS

TAGS: EAID, ID

SUBJECT: INOUYE TRIP REPORT

REFS: A. STATE 093893

B. STATE 094636

C. JAKARTA 1914

1. REPORT NOT YET RECEIVED. CONCLUSIONS AND RECOMMENDATIONS
REF A CONTAIN NO SURPRISES AND APPEAR TO BE THOUGHTFUL OBSERVA-
TIONS WITH WHICH NO MAJOR DISAGREEMENT EXCEPT ITEMS 4 AND 5.
IN MOST CASES, THIS MISSION'S PREVIOUSLY SUBMITTED RESPONSES
TO CODEL QUERIES AND TO GAO FOLLOW-UP REMAIN APPLICABLE.
ADDITIONAL COMMENTS BELOW ARE KEYED TO NUMBERED CONCLUSIONS
AND RECOMMENDATIONS REF A.

ITEM 4. U. S. ECONOMIC ASSISTANCE ACTIVITIES IN INDONESIA
MUST BE VIEWED AS ONE INTEGRAL PORTION BROAD IGGI/ GOI DEVELOPMENT
PROGRAM. THE INTERRELATION AND COORDINATION OF THIS EFFORT, THE
CONTRIBUTION OF OTHER DONORS WHICH, TO CONSIDERABLE EXTENT, IS
DEPENDENT ON HOW U. S. MAKES ITS CONTRIBUTION, IS FOUNDATION AND
STRUCUTRE WHOLE IGGI EFFORT. WE ATTACHE PRIMARY IMPORTANCE TO
CAREFUL ASSESSMENT BY IGGI OF OVERALL INDONESIAN PRIORITY
DEVELOPMENT REQUIREMENTS AND TAILORING OF TOTAL IGGI PROGRAM
TO THESE PRIORITIES. U. S. HAS CONCENTRATED ON AREAS (PHYSICAL
INFRASTRUCTURE DEVELOPMENT, COMMODITY IMPORT LOANS, FAMILY
PLANNING ASSISTANCE, TRAINING, AND ASPECTS OF AGRICULTURAL
DEVELOPMENT) IDENTIFIED AS OF IMMEDIATE CRITICAL IMPORTANCE BY
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IGGI/GOI AND IN WHICH U. S. IS APPROPRIATE SOURCE ASSISTANCE. OTHER DONORS, WHICH ALSO PROVIDING ASSISTANCE THESE AREAS, HAVE IN ADDITION DEVELOPED ASSISTANCE PROGRAMS IN OTHER AREAS SUCH AS EDUCATION. TOTALITY PAST IGGI ASSISTANCE CONSIDERED APPROPRIATELY BALANCED AND DIRECTED TOWARD INITIAL BOTTLENECKS TO OVERALL INDONESIAN DEVELOPMENT. NOW THAT INITIAL CRITICAL NEEDS IN MACRO ECONOMIC AREAS BEING ADDRESSED BY MAJOR DEVELOPMENTAL PROGRAMS, THE GOI TOGETHER WITH U. S., AND OTHER IGGI DONORS (PARTICULARLY IBRD) ARE DEVOTING INCREASED ATTENTION TO DEVELOPING PROGRAMS SPECIFICALLY ADDRESSED TO EMPLOYMENT, INCOME DISTRIBUTION, RURAL- ORBAN DISPARITIES, EDUCATION, ETC. WE PLAN CONTINUE CONCERTED EFFORTS TO DEVELOP PROGRAMS THESE AREAS BUT MUST EMPHASIZE OUR CURRENT ASSISTANCE PROGRAMS, ALTHOUGH NOT IN MOST CASES CHANNELING ASSISTANCE DIRECTLY TO COMMON MAN, ARE INTENDED TO AND DO HAVE MAJOR INDIRECT IMPACT IN RAISING GENERAL LEVEL OF INDONESIA' S ECONOMIC ACTIVITY AND OUTPUT AND ARE NECESSARY PRECONDITION TO OVERALL DEVELOPMENT OF INDONESIAN SOCIETY. FURTHER, WE BELIEVE IT IS IN THE U. S. OWN LONG-RANGE INTEREST THAT THE NEW ORDER GOVERNMENT RECOGNIZE THE IMPORTANCE OF CHANNELING INCREASED RESOURCES TO THESE AREAS, TAKE THE LEAD (IF NECESSARY WITH OUR OR OTHER DONOR ASSISTANCE) IN INITIATING NECESSARY PROGRAMS, AND BE ITSELF IDENTIFIED WITH THE PROVISION OF INCREASED RESOURCES TO SOCIAL SECTOR. IN THIS CONTEXT THE PROVISION OF GENERAL LOCAL CURRENCY SUPPORT TO THE DEVELOPMENT EFFORT THROUGH THE COUNTERPART GENERATED FROM FOREIGN DONOR PROGRAM ASSISTANCE IS OF VERY GREAT IMPORTANCE IN ASSURING INDONESIA' S DEVELOPMENT NEEDS CAN BE MET.

ITEM 5. MISSION POSITION REMAINS AS PREVIOUSLY STATED. TYING HOST COUNTRY- OWNED LOCAL CURRENCY PROCEEDS TO AGREED PROJECTS NOT QUOTE NEW AND UNEXPLORED TERRITORY UNQUOTE BUT RETURN TO EARLIER AND METHOD WHICH FELL SHORT OF ACHIEVING DESIRED OBJECTIVES. REIMBURSABLE FEATURE MAY BE FEASIBLE WHEN PROVIDING U. S.- OWNED LOCAL CURRENCY BUT HOLDING GOI- OWNED RUPIAHS UNTIL PROJECTS COMPLETED, WHEN IMPORTANT PURPOSE U. S. PROGRAM AID IS TO GIVE NEEDED SUPPORT TO DEVELOPMENT BUDGET, WOULD BE DISRUPTIVE.

ITEM 12. OUR UNDERSTANDING RECENTLY ANNOUNCED TERMS JAPANESE ASSISTANCE WOULD INDICATE THAT THESE ARE VERY SIMILAR TO U. S. TERMS. REPAYMENT TERMS (TEN YEAR GRACE, THIRTY YEAR CONFIDENTIAL

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OVERALL, 2.75 INTEREST) SLIGHTLY LESS CONCESSIONAL THAN U. S. BUT JAPANESE UNTYING OF PROCUREMENT FOR PROJECT ASSISTANCE FROM LDCS INCLUDING INDONESIA AND FOR PROGRAM ASSISTANCE FROM OTHER LDC' S POTENTIALLY SOMEWHAT MORE LIBERAL THAN U. S.

ITEM 13. THE USE OF INDIAN RUPEES IS A MATTER FOR
NEGOTIATION BETWEEN THE UNITED STATES AND INDIA.

ITEM 14. MISSION IS CONTINUING MAKE MAXIMUM EFFORT WITHIN
AVAILABLE RESOURCES TO MONITOR USE OF U. S. SUPPLIED MILITARY
EQUIPMENT. NO EVIDENCE OF IMPROPER USE HAS COME TO LIGHT SO
FAR THOUGH OF COURSE GIVEN MAGNITUDE EQUIPMENT AND SIZE OF
COUNTRY IT WOULD BE IMPOSSIBLE SAY NO SUCH USE EVERY MADE. ON
THE OTHER HAND, IT IS GOI POLICY TO MAKE THE INDONESIAN MILITARY
PARTIALLY SELF- SUPPORTIVE AND TO USE THE MILITARY IN ECONOMIC
ACTIVITIES OF SOCIAL BENEFIT. WE DO NOT BELIEVE WE SHOULD
OPPOSE THIS POLICY AT THIS TIME.

2. RE CLASSIFICATION (REF B) BELIEVE ITEM 7 AND ITEM 14 (REF A)
ARE ONLY PARTS OF CONCLUSIONS AND RECOMMENDATIONS WHICH NEED
REMAIN CLASSIFIED. ASSESSMENT (REF C) SHOULD REMAIN CLASSIFIED.
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